

Anomalies in Fine Art Markets - Three Examples of an Imperfect Market for Perfect Goods

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Abstract

Based on the research conducted in the fields of cultural economics and economics of the visual arts, this thesis focuses on three special anomalies in the market for fine arts. After a short introduction to the history of research on the economics of the visual arts in chapter 1, chapter 2 sets out the basic requirements for further analysis, namely the foundations of art markets, the characteristics of art as a good, market structures and actors, as well as the driving forces of supply and demand and the resulting pricing mechanisms. Special attention is drawn in chapter 3 to the data used for analysis, which is artist data from Artcyclopedia, auction price data from Hislop's Art Sales Index and Artprice.com, gallery price and reputation data from the Capital Kunstkompass, and popularity data taken from the number of total hits registered by the Google search engine. Next, in chapter 4, the three anomalies are analyzed. The three topics are 1) a comparison of pricing strategies in dealer and auction markets, 2) the effects of an artist's death on appreciation of his/her works (called "death-effects") and 3) artists and superstardom. Lastly, the conclusion in chapter 5 summarises the results presented in chapter 4 and indicates possible future research topics.

The thesis presented here is original as regards the way in which the anomalies are analyzed. Data is utilised which has never before been employed in this context, in this depth and in this combination. Furthermore, the anomalies described here have previously been described only scantily, if at all, in the context of economics of the visual arts. Owing to these special features, the thesis has broadened the research agenda and created new impulses for further research. For outsiders, the strange behaviour of the art market is partly explained from the point of view of an economist.